Use of post offices to sell financial products

2901. SHRI V. HANUMANTHA RAO: Will the Minister of FINANCE be pleased to state:

(a) whether Government have advised banks to use post offices to sell financial products;

(b) if so, what are the details of this policy;

(c) what are the reasons for banks hesitating to use the well established post office network;

(d) the status of this concept thus far; and

(e) the steps proposed to ask banks to open centres in rural post offices?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) to (e) Pursuant to the announcement in the Budget Speech for 2005-06, Reserve Bank of India (RBI) had appointed an internal working group to examine the issues relating to engagement of Micro Finance Institutions (MFIs) and Civil Society Organisations (CSOs) for providing banking services to relatively under-banked and rural areas. Based on the recommendations of the Group, RBI has issued guidelines on 25th January, 2006 to all scheduled commercial banks in this regard. Banks have been advised to use the services of Non-Governmental Organisations (NGOs), Self Help Groups (SHGs), Micro Finance Institutions (MFIs) other CSOs as intermediaries in providing financial and banking services through the use of Business Facilitator and Correspondent models. Post Offices will be used in both the models. The objective of the scheme is to help low income group population in the country, which has lesser or no access to banking services due to locational problems, illiteracy etc., to access the banking services, with the help of these intermediary institutions, even if there is no bank branch in the area. The impact of the concept will be more visible in times to come.

A Memorandum of Agreement was signed on 15th November, 2006 between NABARD and Department of Post (DoP), Ministry of Communication and Information Technology. NABARD has taken initiative to implement a pilot project in Tamil Nadu using Post Offices for dispensing loans to Self Help Groups.